

Redevelopment Areas, Economic Development Areas and Tax Increment Financing

Frequently Asked Questions

1. What is the difference between a Redevelopment Area and an Economic Development Area?

A Redevelopment area is an area in which normal development is impossible because of certain factors, including:

- A. lack of development;
- B. cessation of growth;
- C. deterioration of improvements;
- D. character of occupancy;
- E. age;
- F. obsolescence;
- G. substandard buildings; or
- H. other factors that impair values or prevent a normal use for development of property.

An Economic Development Area is an area in which normal development will not occur due to certain factors, including:

- A. lack of local public improvements;
- B. conditions that lessen the value of the land;
- C. multiple land ownership; or
- D. other similar conditions.

The Redevelopment Commission has the same powers in both Redevelopment Areas and Economic Development Areas, with one exception. The Redevelopment commission does not have the power of eminent domain in an Economic Development Area.

2. How many Redevelopment Areas does the City have?

There are 5 Redevelopment areas as follows.

- South Bend Central Development Area
- West Washington Development Area
- Sample Ewing Development Area
- Northeast Neighborhood Development Area
- Southside Development Area

3. How many Economic Development Areas does the City have?

There are 2 Economic Development Areas

- Airport Economic Development Area
- Douglas Road Economic Development Area

4. Who approves the establishment of a Redevelopment Area or Economic Development Area?

Approvals are required by the Redevelopment Commission, Area Plan Commission and the South Bend Common Council.

5. Can you change the boundaries of Redevelopment or Economic Development Areas, and who approves the boundary change?

If the boundary change is not enlarging the area by more than 20%, then the Redevelopment Commission can approve the boundary change. City legal counsel, after reviewing State law, has concluded this applies to both Redevelopment and Economic Development Areas.

If the boundary change enlarges the area by more than 20%, then approval is required by the Redevelopment Commission, Area Plan Commission and the South Bend Common Council. This applies to both Redevelopment and Economic Development Areas.

6. Is there a maximum amount of the City's area that can be included in Redevelopment or Economic Development Areas?

There is no specific limit to the amount of the City's area that can be included in Redevelopment or Economic Development Areas. However, you cannot include the entire City in one or more allocation areas, and the closer you get to including the entire City, the more likely it is the Department of Local Government Finance may review all TIF Areas in the City.

7. How long do Redevelopment and Economic Development Areas continue to exist after they are established?

Redevelopment and Economic Development Areas can continue to exist as long as the community desires.

8. What is a Tax Increment Finance (TIF) Area?

This is an area established within a Redevelopment or Economic Development Area. It is a method of generating revenue for the implementation of the plans developed for the Redevelopment and Economic Development Areas. Most often in South Bend the boundaries of the TIF Area are the same as those of the Redevelopment or Economic

Development Area. However, in the South Bend Central Development Area there are 2 TIF Areas, and in the Southside Development Area there are 3 TIF Areas.

9. How does a Tax Increment Finance (TIF) Area generate revenue?

When a TIF Area is established, any increase in real property assessed value due to new investment is attributed to the TIF, and the taxes generated by the increased assessed value are deposited in the TIF Allocation Fund. This is referred to as the TIF increment.

The assessed value of the area before the TIF Area is established is referred to as the “base” assessed value. Taxes generated from the “base” continue to go to the local taxing units, just like they did before the TIF Area was established.

10. Who approves the establishment of Tax Increment Finance Areas?

Approvals are required by the Redevelopment Commission, Area Plan Commission and the South Bend Common Council.

11. Can you change the boundaries of a Tax Increment Finance Area, and who approves the boundary change?

The boundaries can be changed, and the process is the same as changing Redevelopment Area boundaries addressed in Question 5 above.

12. How long can a TIF Area continue to exist?

TIF Areas established on or before June 30, 1995 have no set termination date. Areas established after June 30, 1995 are limited to a term of no more than 30 years.

13. How can TIF revenues be used?

TIF revenues can be used to fund local public improvements in or serving the TIF Area. Local public improvements means the following:

- A. buildings;
- B. parking facilities;
- C. acquisition of land, rights-of-way, and other property to be acquired and Redeveloped;
- D. all architectural, engineering, legal, financing, accounting, advertising, bond discount, and supervisory expenses related to the acquisition and redevelopment of the property or the issuance of bonds;
- E. capitalized interest and a debt service reserve for the bonds;
- F. other local public improvements such as streets, water, sewer, curbs, sidewalks, etc.

These expenditures can be paid directly from TIF revenues, or through the issuance of bonds, or by reimbursement to the City.

14. Is Personal Property assessed value part of the TIF increment?

No, as of June 1, 1987 Personal Property is not part of the TIF increment, unless the Personal Property of a particular taxpayer is needed to make debt service payments on bonds issued within that TIF Area. In South Bend this has only been done once. The Personal Property of AJ Wright in the Sample Ewing Development Area is part of the TIF increment.

Before June 1, 1987 State law governing TIF's did allow for Personal Property to be included in the TIF increment. Accordingly, the Personal Property of 2 other businesses in the Sample Ewing Development Area are also included in the TIF increment. These businesses are New Energy and Airco.

15. Can residential property contribute to TIF increment?

Yes, residential property does contribute to TIF increment in TIF Areas created on or before June 30, 1997 within Redevelopment Areas. For TIF areas created after that date, residential property does not contribute to the TIF increment.

The same applies for TIF Areas within Economic Development Areas, except the date is June 30, 1995.

In addition, the State passed legislation in 2006 to allow up to 150 acres in a City or County to be designated as a Residential TIF for the purposes of implementing and funding a housing program established by the Redevelopment Commission.

16. Are funds transferable between TIF Areas?

No, funds from one TIF may not be granted or loaned to another TIF Area.

17. What are the advantages of establishing a TIF Area?

Establishment of a TIF Area can provide a source of funds to implement the Redevelopment or Economic Development Plan for the area.

18. How does the establishment of a TIF Area effect the City's revenue?

Currently, there is no effect on City revenues because of TIF Areas. While there is no effect on revenues, there is an effect on the tax rate. The tax rate is somewhat higher to compensate for the revenue going into the TIF.

However, under the new circuit breaker legislation this will change. There will be an effect on tax revenue. Revenue collected by the TIF will reduce revenue otherwise available to the City and other taxing units, in an amount roughly equal to the amount collected by the TIF.

19. What authority does the Redevelopment Commission have to issue bonds?

The Redevelopment Commission has its own 2% debt limit, calculated the same as the City's 2% debt limit.

The Redevelopment Commission may issue bonds up to \$3.0 million on its own authority, but over \$3.0 million must have approval from the South Bend Common Council.

In general, bonds issued which have a pledge of other tax revenues, beyond just TIF revenues, must follow the same petition and remonstrance process as general obligation bonds.